



JACOBS ENGINEERING GROUP INC.

ALBUQUERQUE OPERATIONS

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Confidential Claim Retracted

AUTHORIZED BY:

DATE: 5/16/13

July 13, 1989

Mr. Conrad Lucero
Pueblo of Laguna
P.O. Box 194
Laguna, NM 87026

Re: Review of LCC Mobilization
Estimate
Contract No. S-7477-ALB

Dear Mr. Lucero:

As per the Reclamation Committee's request, Jacobs has reviewed the Laguna Construction Company's (LCC) cost estimate for the mobilization activities and we offer the following comments.

1. The mobilization work is extremely difficult to scope before construction begins and we continue to assert that the best way to manage the work is by force account. This is both standard industry practice and the manner in which it was approved in the Jackpile Project, Project Management Plan.
2. The LCC prepared their estimate under the direction that it meet the "not to exceed" requirement while Jacobs estimate was prepared under the direction that the work would be managed as force account work. The LCC must, therefore, be more conservative in their estimate because they will be required to achieve the costs in the estimate. This difference accounts for a portion of the \$199,000 cost differential between the estimates.
3. The LCC estimate is higher partially because they are moving some additional work from the construction phase into the mobilization phase including; construction of a crossing for the Rio Paguete, purchase of a greater number of tools and health and safety equipment, refurbishing the electrical distribution system rather than having the power company perform this work and then charging higher use rates, and installing electrical rather than diesel pumps which have higher front end costs but lower operating costs. The LCC's approach does not increase the total costs of the project they simply require that some additional costs be incurred earlier rather than later in the project. Jacobs supports the LCC's approach.
4. The LCC's estimate ~~is~~ higher partially because they are proposing additional work which was not in Jacobs scope of work including the construction of a temporary diversion system to prevent



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surface water from flowing into the North Paguate Pit during backfilling. While this system will cost some up front money it will also reduce long-term pumping costs and may increase production during backfilling. It is a reasonable proposal and Jacobs supports this approach.

The LCC is also proposing to do additional work on the electrical distribution system. The LCC reports that additional vandalism has occurred recently and that all of the existing electrical system must be replaced. Under these conditions more electrical work will be required than was included in Jacobs estimate. Jacobs believes that the LCC may have over estimated the amount of electrical work required but it is impossible to tell for sure until the electrical contractor begins work.

5. The LCC is proposing to construct a somewhat more elaborate shop than Jacobs proposed. They plan to reinsulate the shop and refurbish the overhead crane. The increased money put into the shop may well result in increased productivity in the shop which may provide enough savings to more than offset the additional up front costs.

In summary, the total cost differential between the Jacobs and LCC estimates is less than one-half of one percent of the total project costs and most of the difference is due to additional work which increases front end costs but decreases costs later on. Jacobs was not provided with sufficient review time to detail the cost differential but we estimate the true differential to be approximately \$40,000 which is only five percent of the mobilization costs and only one-tenth of one percent of the total project costs. These are very close estimates.

It should be remembered that the LCC estimate is a "not to exceed" estimate, and with proper field management the actual costs incurred may be less.

Jacobs approach to this issue is that mobilization is essentially an issue for the construction contractor. Only the construction contractor can define what he needs in terms of site preparation and most of this must be done in the field during mobilization. So long as the construction contractor's approach is reasonable and his costs are reasonable Jacobs believes his mobilization package should be approved because it is he that must live with his site preparation for a long time.

Jacobs supports the work and costs proposed by the LCC and recommends that the committee approve the LCC's costs.

Sincerely yours,
JACOBS ENGINEERING GROUP INC.



Marc E. Nelson
Project Manager

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